

# 100 Money Smart Tips for Consumers

## **Banking**

1. Use bank and credit union accounts to keep your savings secure. Bank accounts are FDIC insured, and credit union accounts are NCUA insured.
2. Have an account at a bank or credit union to avoid check cashing fees.
3. Earn interest with a savings account, certificate of deposit or other product.
4. Compare accounts to find the best product to suit your needs.
5. Know all fees associated with accounts.
6. Read the account disclosure information.
7. Keep your personal identification number (PIN) private.

## **Budgeting**

8. Follow a budget to gain control, reduce anxiety and build assets.
9. Track daily spending habits.
10. Record all monthly income, such as wages, interest/dividends, social security, public assistance, child support/alimony, etc.
11. Record all monthly expenses, such as rent/mortgage, utilities, food, loan payments, insurance, day care/elder care, car repair, gas, entertainment, medical, etc.
12. Plan for expenses that do not occur monthly, such as birthdays, holidays, annual taxes, vacations, etc.
13. Identify ways to increase income, such as getting a second job, securing a promotion or becoming an entrepreneur.
14. Identify ways to decrease spending.
15. Eliminate any unused services in telephone, satellite/cable and Internet bills.
16. Save money on utilities. For example, conserve water and turn down heat in the winter to save gas/electric.
17. Use coupons and shop sales.
18. Limit use of credit cards; don't carry as much cash if you know you'll be tempted to spend.
19. Don't shop for fun or buy on impulse.
20. Cut back on restaurants. For example, pack your lunch, order a smaller item instead of a full meal or order water instead of soda.
21. Send bill payments a few days before they are due to avoid late fees.
22. Use budgeting tools to help you manage your money, such as a computer system, envelope system or budget box.
23. Put surplus money from your budget into savings.
24. Keep accurate records organized and in a safe place.
25. Keep tax records for at least three years.

## **Credit Cards**

26. Compare several different offers when selecting a credit card – “shop” for the best product to suit your needs.
27. When choosing a card, look for a low, fixed annual percentage rate, a long grace period, low fees, etc.
28. Know all rules and fees, such as annual fees, late fees, over-limit fees, returned check fees, currency conversion fees, etc.

29. Know your interest rate.
30. Watch out for high costs and penalties, such as universal default, penalty annual percentage rate (APR), prepayment penalties, teaser rates, etc.
31. Make payments on time to help keep your credit score high.
32. Make more than the minimum payment when possible.
33. Don't exceed your credit limit.
34. Understand that cash advances and convenience checks often cost extra.
35. Check your statements for accuracy.
36. Report mistakes or possible identity theft immediately – the liability for unauthorized credit card charges is limited to \$50 per card **IF** you report it within 60 days.
37. Request and review your free credit reports – one per year from each of the three bureaus: Equifax, Experian and TransUnion – at [www.annualcreditreport.com](http://www.annualcreditreport.com) or 877-322-8228.
38. Opt out if you don't want pre-approved offers by calling 888-5-OPTOUT or visiting [www.optoutprescreen.com](http://www.optoutprescreen.com).

### **Mortgage Loans**

39. Understand the different types of mortgage loan products – fixed-rate, adjustable rate mortgage (ARM), option ARM, interest only, balloons – and “shop” for the best product to suit your needs.
40. Check out your lender and mortgage loan originator using NMLS Consumer Access at [www.nmlsconsumeraccess.org](http://www.nmlsconsumeraccess.org). Do not do business with an unlicensed lender.
41. Do not sign anything without a full explanation that you understand.
42. Make sure the loan terms at closing match your Good Faith Estimate.
43. Avoid prepayment penalties if possible.
44. Make sure closing costs are reasonable and there are no upfront fees other than the cost of the appraisal.
45. If rates drop, consider refinancing the loan. However, beware of “loan flipping” where a lender refinances a loan to generate fee income without a tangible benefit to the borrower.
46. Making just one extra mortgage payment per year may take years off the loan.
47. If you are considering a reverse mortgage, understand all the terms.
48. Do not draw more money than you need from a reverse mortgage, and do not use a reverse mortgage for investing.

### **Other Loans**

49. Avoid debt that does not help build long-term financial security.
50. If you have multiple loans, pay off the loan with the highest interest rate first.
51. Know that some types of credit are more expensive than others. Consider alternatives to more costly services.
52. Internet payday loans are illegal in Kentucky and these lenders are not licensed. Do not do business with an online payday lender that has no physical location in Kentucky.
53. Advance fee schemes – where a company requests an up-front payment for “insurance” or the “first payment” – are illegal. Often no loan is provided after the fee is collected.

### **Trouble Paying Loans**

- 54. If you have trouble paying a loan, talk to your creditor to reduce payments or change the terms.
- 55. Don't be afraid to ask for help – consider free credit counseling.
- 56. Don't pay to have your credit repaired, and be wary of companies that promise to quickly fix your credit problems.
- 57. If you are in danger of foreclosure, call the Kentucky Homeownership Protection Center toll-free at 866-830-7868 or visit [www.Protect.MyKyHome.org](http://www.Protect.MyKyHome.org).
- 58. Beware of foreclosure rescue scams, such as phantom help scams, refinance scams, lease-back/repurchase scams and internet/phone scams.

### **Saving**

- 59. Pay yourself first – when you get your paycheck, put some money in savings before paying bills or spending the rest.
- 60. Try to save 10 percent of your income.
- 61. Keep savings of three to six months of your monthly expenses in a liquid – or easily accessible – account in case of emergency.
- 62. Cut back on optional goods and services and put the extra money in savings.
- 63. Use direct deposit/automatic transfer to regularly move money into savings.
- 64. Roll your change.
- 65. Save your tax refund, or take the smaller deduction and invest that money all year.
- 66. Save raises, bonuses and cash gifts.
- 67. Once you have paid off a loan, keep making a monthly “payment” in that amount to your savings account.
- 68. Take advantage of compound interest.
- 69. Use the Rule of 72 to calculate how long your savings will take to double in value – divide 72 by the current interest rate to determine the number of years that it will take to double your initial savings amount.
- 70. Set exciting, realistic financial goals that inspire success.
- 71. Sign up as a Kentucky Saver at [www.kentuckysaves.org](http://www.kentuckysaves.org) and get free savings tips, a quarterly newsletter and motivation to save.

### **Investing**

- 72. Understand that investing involves risk – there is a chance that some or all of the money invested can be lost. However, the potential for investing reward makes the process worthwhile.
- 73. Investigate before you invest. Research the product and understand what you are investing in.
- 74. Get professional advice from a broker or adviser if you need it.
- 75. Call DFI's Securities Division at 800-223-2579 to check out your broker or adviser and the products he or she is selling.
- 76. Don't take unnecessary risks.
- 77. Put time to work for you. Money invested over time is compounded – interest is earned on the principal *and* on accumulated past interest.
- 78. Diversify – don't put all your eggs in one basket. Balance risk by investing in a variety of securities.
- 79. Understand the expenses and fees involved with your securities transaction.
- 80. Join your work 401(k) or 403(b) plan and take advantage of any employer match.

81. Consider the tax benefits of Roth accounts.
82. Reinvest stock dividends.
83. Re-evaluate what you have from time to time, in case your ideal composition of investment products has shifted.
84. Your investment portfolio should take into account your risk tolerance, age, income and investment goals.
85. Determine how much risk you are willing to tolerate. Remember, there is a trade-off between risk and return.
86. Be aware of the “risk” of inflation rising faster than the “safe” interest rate.

### **Fraud Prevention**

87. If it sounds too good to be true, it probably is.
88. Understand that ANYONE can be a victim of fraud. A recent study found that financially savvy people may be more at risk of being scammed in an investment fraud.
89. Report suspected fraud – whether it is against you or someone you know. Call DFI at 800-223-2579.
90. Risk and return go hand in hand. If someone offers high return with no risk, it could be fraud.
91. Beware of “guarantees” in investing or sweepstakes.
92. Beware of offers that are good for a limited time only.
93. Get all paperwork up front. Read the fine print. Understand the transaction before signing.
94. Don’t sign a contract or document with blank lines or spaces.
95. Credentials can be misleading – some require studies or a test, while others are offered to anyone who pays a fee.
96. Be skeptical of unsolicited calls. Do not give out personal information over phone or Internet.
97. Have a plan to get off the phone, such as the phrase, “I’m not making any decisions today” or “I would like to discuss this opportunity with my attorney.”
98. Sign up for the National Do Not Call Registry at 888-382-1222 or [www.donotcall.gov](http://www.donotcall.gov).
99. Financial exploitation is a form of elder abuse and should be reported to the Elder Abuse Hotline at 800-752-6200.
100. Time is your friend – don’t make hasty decisions. Take time to investigate the offer and the person selling it.